

## Forum on Transportation Investment

### Federal Perspective

Jan 2005

Steve Moreno: Thank you Tom.

Today, I would like to review the federal perspective to transportation investment. Where does federal transportation money come from and how do we spend it?

### Highway Use Taxes Supporting HTF

- Four main highway use taxes support the Highway Trust Fund

- Fuel tax
- 12% sales tax on trucks and trailers
- Tire tax
- Heavy vehicle use tax

- Fuel taxes account for about 90% of total HTF revenues

Fuel	28,854
Sales	1,748
Tire	361
HVUT	713
Total	31,677



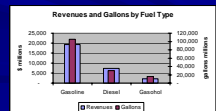
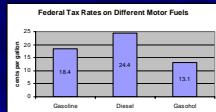
In 2001, \$29 billion dollars were collected from fuel tax (approximately 90% of the total Highway Trust Fund revenue), while the other 10% is made up of sales tax, tire tax, and heavy vehicle use tax.

### Federal Fuel Taxes

- Diesel fuel is taxed at a higher rate than gasoline, gasohol at a lower rate

- Diesel represents 25% of revenues and 20% of gallons

- Gasohol represents 7% of revenues and 10% of gallons

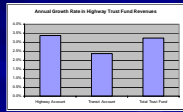


Federal fuel taxes are currently at 18.4¢ per gallon for gasoline, 24.4¢ per gallon for diesel, and 13.1¢ per gallon for gasohol.

Gasoline is by far the largest contributor of federal fuel tax revenue.

## Factors Affecting Future Highway Trust Fund Revenues

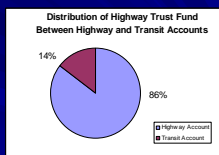
- Highway Trust Fund revenues between 2002 and 2010 are projected to grow by 3.2% a year.
- Long term HTF revenues influenced by fuel prices, economy, and demographics.
- Short term HTF revenues influenced by fuel prices and economy.
- Non-fuel taxes that go exclusively to Highway Account growing faster than fuel taxes causing Highway Account to grow faster than Transit Account.



Annual growth in the Highway Trust Fund (HTF) between 2002 and 2010 is projected to increase by 3.2%. Factors such as higher fuel prices, economy, and demographics can greatly influence HTF revenues.

## Highway and Transit Account Revenues

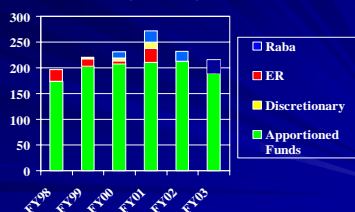
- About 86% of total Highway Trust Fund revenues goes to the Highway Account and 14 percent goes to the Transit Account.
- 15.5% of gasoline tax revenues and 11.7% of diesel revenues go to the Transit Account.
- The non-fuel taxes all go to the Highway Account.



The Transit account is growing at a much smaller rate. This rate will probably stay relatively the same during the 2002 to 2010 period.

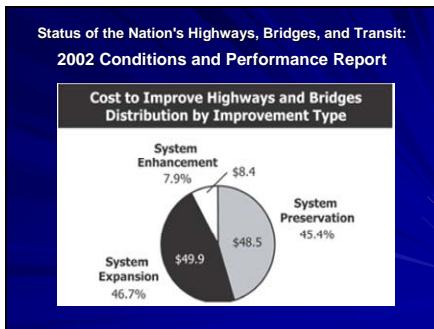
The formula for Apportioned Funds is pre-set in law by Congress and FHWA distributes the funds per that pre-set formula.

## Idaho's Apportioned Funds (In Millions)



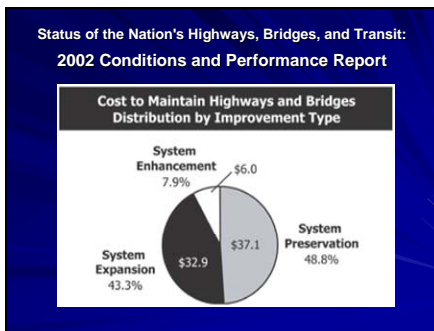
The green bar represents the apportioned funds for Idaho. Whenever there are natural disasters, Emergency Relief (ER) funds, can be distributed. Discretionary funds are distributed after applications made by the state for projects that meet certain pre-set requirements are selected.

Finally, Congress established a fund called Revenue Aligned Base Account (RABA) to distribute revenue that is collected above the original apportioned funds formula. If more money is collected, then it is distributed.

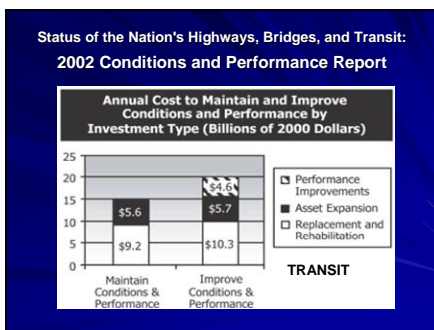


Every two years FHWA prepares a Conditions and Performance Report for Congress. In that report, we estimate the costs to maintain, enhance, and expand our nation's highways and bridges.

In 2002, we estimated that \$107 billion was needed to **improve** highways and bridges.



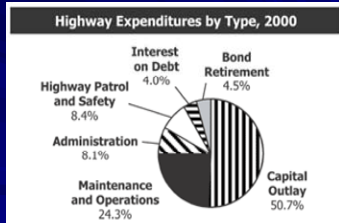
To **maintain** the nation's current highways, and bridges, \$76 billion was needed.



To **maintain** the transit infrastructure - \$14.8 billion is needed, while to **improve** – \$20.6 billion is needed.

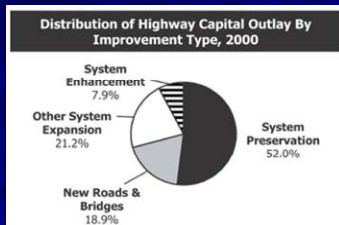
These predictions for anticipated costs far exceed the \$29 billion that was collected in 2001.

Status of the Nation's Highways, Bridges, and Transit:  
2002 Conditions and Performance Report



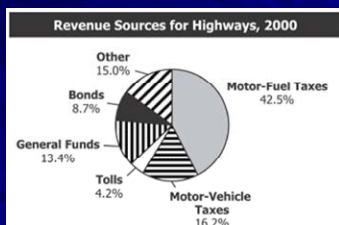
So where does the federal money go? First of all let me clarify the 'maintenance and operations' in this slide is not for snowplowing. Federal funds are not used for that type of activities.

Status of the Nation's Highways, Bridges, and Transit:  
2002 Conditions and Performance Report



Over half of the highway capital outlay is spent on system preservation.

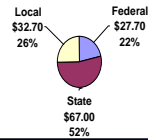
Status of the Nation's Highways, Bridges, and Transit:  
2002 Conditions and Performance Report



As you can see, sources for federal revenue come from motor fuel taxes and related motor-vehicle taxes as I discussed at the beginning of my presentation.

Status of the Nation's Highways, Bridges, and Transit:  
2002 Conditions and Performance Report

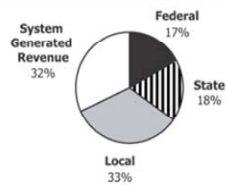
Expenditures in Year 2000  
in Billions of Dollars



Another point that should be recognized is that federal funds only represent 22% of all funds spent on highways, bridges, and transit. Your state and local governments are responsible for far greater amounts of funding for transportation systems.

Status of the Nation's Highways, Bridges, and Transit:  
2002 Conditions and Performance Report

Transit System Revenue Sources, 2000



Transit revenue comes from four main sources, with the local governments and the system-generated revenue making the largest contribution.

### Summary

- There is a Highway Trust Fund
- Fuel taxes are the primary component
- Expecting modest 3%+ growth
- Apportionments are Distributed by Formula

So to summarize, the Highway Trust Fund is funded primarily by fuel taxes and a modest 3% growth is expected. State Apportionment is distributed by formula set by law.

### Summary

- FHWA funds are for capital improvements
- Operational costs are borne by state/local funds
- Anticipated costs outstrip revenues

FHWA funds are for capital improvements, while operational costs are paid by state and local funds. Predictions for anticipated costs far outstrip projected revenues.

### Summary

- Federal sources are about 1/4 of expenditures
- State sources are about 1/2 of expenditures
- Local sources are about 1/4 of expenditures

Bottom line is that federal sources only equal about 1/4<sup>th</sup> of transportation system expenditures. State and Local sources cover the other 3/4<sup>th</sup> and the funding need that is predicted to maintain and/or improve the transportation infrastructure poses a huge problem for transportation providers.

### Questions ??

I will be glad to answer questions after Pam's and Byron's presentations.